



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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October 24, 2001

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 4516

Jerry Hascall
Deseret Generation and Transmission Company
12500 East 25500 South
Vernal, Utah 84078-8525

Re: Notice of Non-Compliance and Directive to Cease Mining Operations, Deseret
Generation and Transmission Company, Diamond Mountain Resources Mine,
M/047/066, Uintah County, Utah

Dear Mr. Hascall:

This letter provides notice to Deseret Generation and Transmission Company that mining operations at the Diamond Mountain Resources Mine (S/047/066) are being conducted in violation of the Utah Mined Land Reclamation Act 40-8-1 et. Seq. (Act) and the Minerals Reclamation Program Rules, sections R647-1 through R647-5.

A recent inspection performed by the Division suggest that large mining operations have been conducted before filing and receiving approval of a Notice of Intent to Commence Large Mining Operations at the Diamond Mountain Resources mine site. By doing so, Deseret Transmission and Generation Company has and continues to willfully or knowingly evade the requirements of the Mined Lands Reclamation Act as applicable to large mines. See Utah Annotated Code 40-8-14 and Minerals Rule R647-4-113.

Deseret Generation and Transmission Company is hereby directed to:

1. **Immediately suspend all mining operations and cease removal of mined or stockpiled material** from the Diamond Mountain Resource mine site location.
2. **Post a Transitional Surety** in the amount of \$88,200 to cover the reclamation costs for 17.64 acres of mining-related surface disturbance (\$88,200 = \$5000 X 17.64 acres) **within 30 days of your receipt of this notice.** The transitional

surety amount may be increased or decreased to reflect third party reclamation costs as determined in processing the large mine permit application. Contact Joelle Burns at (801) 538-5291 to obtain the proper forms for filing this transitional surety.

3. **Submit a complete and technically adequate Notice of Intention to Commence Large Mining Operations** to the Division **within 45 days of your receipt of this notice** (Form MR-LMO and LMO rules enclosed).
4. **Submit an additional \$250.00 permit fee** at the time you submit the LMO application **(with 45 days)**.
5. Contact Vickie Southwick, Executive Secretary, at (801) 538-5304, **within 10 days of your receipt of this notice** to arrange a meeting with the Associate Director to discuss this matter and your plans for compliance.

Finding of Non-Compliance

1. Section 40-8-13 of the Mined Land Reclamation Act (the "Act") requires the filing of a Large Mining Notice of Intention (LMO) and Division approval before beginning mining operations. The initial Diamond Mountain Resource Mine permit application (plan of operation) remains incomplete and has not been approved by the Division.
2. The Diamond Mountain plan of operations was initially categorized as a Small Mining Operation (SMO). The plan stated that no more than five acres of surface disturbance would occur at any one time at the site. Operations have now exceeded the five acre disturbance threshold for a small mine operation. Rule R647-3-113 requires an operator to file a Notice of Intention to Commence Large Mining Operations (FORM MR-LMO) and receive Division approval before enlarging a small mine beyond five acres.
3. The operator has not posted a form and amount of reclamation surety acceptable to the Division as required by section 40-8-14 of the Act and section R647-4-113 of the minerals rules for a large mining operation.

Page 3
Jerry Hascall
M/047/066
October 24, 2001

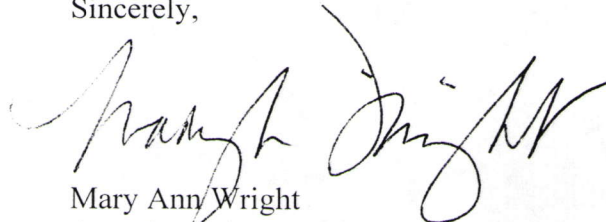
Consequences of Continued Non-Compliance

Deseret Generation and Transmission Company's failure to resolve this Notice of Non-compliance within timeframes established in this letter will result in the Division filing a Notice of Agency Action with the Board of Oil, Gas and Mining. Following public notice and hearing, the board will decide whether to issue an abatement or compliance Order which may require: suspension or termination of all mining operations, immediate reclamation of all mining related disturbances, and/or other lawful requirements as authorized under the Act.

The Board may choose to bring suit against Deseret Generation and Transmission Company in a local court seeking restraining orders, injunctions, and/or the judicial assessment of appropriate civil penalties, not to exceed \$10,000 for each willful and knowing violation of the Act.

If you have any questions regarding this Notice you may contact me at (801) 538-5306, Wayne Hedberg at (801) 538-5286, or Doug Jensen at (801) 538-5382.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Ann Wright", is written over the typed name.

Mary Ann Wright
Associate Director of Mining

jb
Enclosure: LMO Rules, Form MR-LMO
cc: Chauncie Todd, USFS, Vernal FO
M47-66-noncom.doc

Notice of Non-Compliance Supplemental Information

Location of Mining Operation

The Diamond Mountain Resource Mine is located in the Sections 15, 16, & 21, T1S, R22E, SLBM, Uintah County, Utah. This operation is permitted with the U.S. Forest Service.

Background Information and Chronology

- 6/25/98 Plan of Operations filed with the U.S. Forest Service
- 8/12/98 Plan of Operations (POO) received by the Division, forwarded by USFS
- 8/12/98 Review comments sent by the Division, noting deficiencies
- 4/20/99 Second letter sent by the Division noting deficiencies of the POO.
- 4/24/99 Received 1997 & 1998 annual reports. 2000 tons mined in 1997, 1 acre of disturbance – 1998 did not operate, awaiting USFS permit, will mine 30,000 to 60,000 tons/year in the future.
- 8/14/01 Received a copy of the final USFS EA, USFS Notice of Decision concerning Road Use Permit, USFS bond calculations and other documents forwarded to the Division by USFS Vernal Office.
- 10/16/01 Inspection of the Diamond Mountain Resource minesite by the Division. Disturbance at the site GPS'd and found to be 17.64 acres.